

# BASF in Greater China In Brief 2009

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 **BASF**

The Chemical Company

We create chemistry for clean air: Tina Wu (Cover) and Marvin Qiu (Back) from Mobile Emissions Catalysts in Shanghai.

# BASF GROUP 2009

Million €

	2009	2008	Change in %
Sales	50,693	62,304	(18.6)
Income from operations before depreciation and amortization (EBITDA)	7,388	9,562	(22.7)
Income from operations (EBIT) before special items	4,852	6,856	(29.2)
Income from operations (EBIT)	3,677	6,463	(43.1)
Income before taxes and minority interests	3,079	5,976	(48.5)
Net income	1,410	2,912	(51.6)
Earnings per share (€)	1.54	3.13	(50.8)
Adjusted earnings per share (€)	3.01	3.85	(21.8)
EBITDA in percent of sales	14.6	15.3	–
Cash provided by operating activities	6,270	5,023	24.8
Additions to long-term assets <sup>1</sup>	5,972	3,634	64.3
Excluding acquisitions	2,536	2,526	0.4
Research costs	1,398	1,355	3.2
Amortization and depreciation <sup>1</sup>	3,711	3,099	19.7
Segment assets (as of December 31) <sup>2</sup>	40,707	38,117	6.8
Personnel costs	7,107	6,364	11.7
Number of employees (as of December 31)	104,779	96,924	8.1

<sup>1</sup> Intangible assets and property, plant and equipment (including acquisitions); includes adjustment of additions to property, plant and equipment and intangible assets following purchase price allocation for Ciba.

<sup>2</sup> Intangible assets and property, plant and equipment, inventories and business-related receivables

## BUSINESS DEVELOPMENT 2009

In 2009, our business was shaped by the economic crisis and the integration of Ciba. As forecast at the beginning of the year, sales and earnings were significantly below the previous year's level. Sales declined by 19% to €50,693 million, while income from operations decreased by 43% to €3,677 million. Despite the difficult business environment, we only narrowly missed our goal of earning our cost of capital. The capacity utilization at our plants was at a historically low level. Demand recovered, however, over the course of the year, in particular in Asia. Our measures to reduce costs and increase efficiency were effective and contributed significantly to stabilizing earnings and increasing cash flow to a record high.

→ Key data for the segments can be found inside the cover.

## BASF GROUP 2009

- Lower sales and earnings due to crisis in key customer industries and weak demand
- Measures to increase efficiency were effective
- Cash flow at record high
- High one-time expenses due to Ciba integration

## SALES AND EBIT 2009

Sales (million €)

**50,693**

EBIT (million €)

**3,677**

EBITDA Margin

**14.6%**

# BASF'S SEGMENTS AT A GLANCE

## CHEMICALS



In the Chemicals segment, we supply products to customers in the chemical, electronics, construction, textile, automotive, pharmaceutical, agricultural industries and many others. Furthermore, we ensure that other BASF segments are supplied with chemicals for the production of higher value products. Our portfolio ranges from basic chemicals, glues and electronic chemicals for the semiconductor and solar cell industries, to solvents and plasticizers, as well as starting materials for products such as detergents, plastics, textile fibers, paints and coatings and pharmaceuticals.

## PLASTICS



The Plastics segment includes a broad range of products, system solutions and services. We offer a number of engineering plastics for the automotive and electric industries as well as for use in household appliances and sports and leisure products. Our styrenic foams are used as insulating materials in the construction industry and in packaging. Our polyurethanes are extremely versatile: as soft foams, for example, they improve car seats and mattresses, and as rigid foams they serve as highly efficient insulation in refrigerators.

## PERFORMANCE PRODUCTS



Performance products help our customers to improve their products and processes. They give special characteristics to countless everyday products: from diapers, paper, vitamins for food supplements or UV filters for sunscreen to products for the oil, automotive and coatings industries as well as for the production of textiles and leather. The acquisition of Ciba strengthens the existing businesses and extends the portfolio to include plastic additives and products for water treatment and mining applications.

## FUNCTIONAL SOLUTIONS



In the Functional Solutions segment we bundle system solutions and innovative products for specific customers and industries, in particular for the automotive and construction sectors. Our portfolio comprises automotive and industrial catalysts, automotive and industrial coatings, as well as concrete admixtures and building products such as tile adhesives and architectural coatings.

## AGRICULTURAL SOLUTIONS



Our crop protection products guard against fungal diseases, insects and weeds, increase quality and secure crop yields. Our research in plant biotechnology concentrates on plants for greater efficiency in agriculture, healthier nutrition and for use as renewable raw materials.

## OIL & GAS

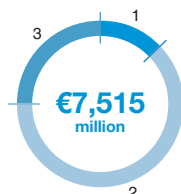


As the largest German producer of oil and gas, we focus our exploration and production on oil and gas-rich regions in Europe, North Africa, South America, Russia and the Caspian Sea region. Together with our Russian partner Gazprom, we are active in the trading, transport and storage of natural gas in Europe.

# KEY DATA SEGMENTS

## CHEMICALS

- 1 -- Inorganics: 13%
- 2 -- Petrochemicals: 62%
- 3 -- Intermediates: 25%



### Key data Chemicals

million €	2009	2008	Change in %
Sales	7,515	11,171	(32.7)
Income from operations (EBIT)	735	1,369	(46.3)

## PLASTICS

- 1 -- Performance Polymers: 42%
- 2 -- Polyurethanes: 58%

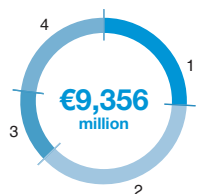


### Key data Plastics

million €	2009	2008	Change in %
Sales	7,128	9,116	(21.8)
Income from operations (EBIT)	554	539	2.8

## PERFORMANCE PRODUCTS

- 1 -- Dispersions & Pigments: 26%
- 2 -- Care Chemicals: 37%
- 3 -- Paper Chemicals: 14%
- 4 -- Performance Chemicals: 23%

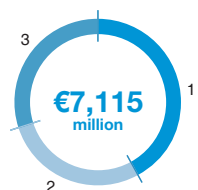


### Key data Performance Products

million €	2009	2008	Change in %
Sales	9,356	8,125	15.2
Income from operations (EBIT)	(150)	768	.

## FUNCTIONAL SOLUTIONS

- 1 -- Catalysts: 42%
- 2 -- Construction Chemicals: 28%
- 3 -- Coatings: 30%



### Key data Functional Solutions

million €	2009	2008	Change in %
Sales	7,115	9,388	(24.2)
Income from operations (EBIT)	107	151	(29.1)

## AGRICULTURAL SOLUTIONS

- 1 -- Crop Protection: 100%

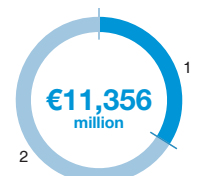


### Key data Agricultural Solutions

million €	2009	2008	Change in %
Sales	3,646	3,409	7.0
Income from operations (EBIT)	769	705	9.1

## OIL & GAS

- 1 -- Exploration & Production: 34%
- 2 -- Natural Gas Trading: 66%



### Key data Oil & Gas

million €	2009	2008	Change in %
Sales	11,356	14,445	(21.4)
Income from operations (EBIT)	2,289	3,844	(40.5)

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# BASF IN GREATER CHINA

## IN BRIEF 2009

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### ABOUT OUR GLOBAL CORPORATE REPORTING AND ABOUT THIS COUNTRY REPORT

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The information contained on the financial position and financial performance of BASF Group is based on the requirements of the German Commercial Code as well as on International Financial Reporting Standards (IFRS), according to which the BASF Group Consolidated Financial Statements are prepared. "BASF in Greater China In Brief 2009" as a short country report contains forward-looking statements. These statements are based on current experience, estimates and projections of BASF management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict and are based upon assumptions as to future events that may not prove to be accurate. Many factors could cause the actual results, performance or achievements of BASF to be materially different from those that may be expressed or implied by such statements. We do not assume any obligation to update the forward-looking statements contained in this short report. The reporting period was fiscal 2009. To ensure that this short report contains the latest information, the report includes relevant information up to the editorial deadline of May 1, 2010. "BASF in Greater China In Brief" is published each year in English and simplified Chinese.

# ABOUT THIS REPORT

Integrated report on economic, environmental and social performance in Greater China in 2009

**Sustainability is an integral part of our strategy. This report therefore combines our financial and sustainability reporting in one publication. We document our financial performance and provide solid examples of how sustainability contributes to the success of our company.**

BASF in Greater China In Brief 2009 is published in 2010, following the publication of BASF in Greater China In Brief 2008, in July 2009. The report supplements BASF's global reporting by adding specific country information about our Greater China operations, comprising mainland China, Hong Kong and Taiwan.

This report contains information on BASF Group and BASF in Greater China. All data and bases of calculation are in line with international standards for financial and sustainability reporting. All corporate information is sourced from BASF documents as well as from central queries to the appropriate competence centers and regions. Our data collection methods for environmental protection and safety are based on the recommendations of the European Chemical Industry Council (CEFIC). In the area of emissions and energy, we report on approximately 98% of all emissions from our Greater China production sites. The emissions of joint venture companies are included pro rata based on our stake. Information on work-related accidents is compiled worldwide at our production and administrative sites. Accidents at joint venture sites are compiled and reported in total. In the reporting year 2009, we continued to improve the data

collection on environmental protection and safety. In these areas, data processing systems were optimized and the data collection frequency was increased.

The period under review is the year 2009. Information available up to the editorial deadline of May 1, 2010, has been included. From last year, we started to publish a Greater China report annually. To the best of our knowledge, there are no binding national regulations on this kind of corporate report in China. BASF in Greater China will therefore take into account upcoming local requirements to continuously develop this report further.

The report is printed in English and simplified Chinese. Both versions can be downloaded from our website.

 [www.greater-china.basf.com](http://www.greater-china.basf.com)

More information about BASF in Greater China

 [www.basf.com/report](http://www.basf.com/report)

More information about BASF's global report 2009

## CREATING VALUE FOR A BETTER FUTURE

This report shows how we create value – for our employees, shareholders, business partners, neighbors and society. With sustainable products, technologies and services, we contribute to finding answers to global challenges, such as climate protection, resource conservation, nutrition and demographic change. We promote education, our most important future resource, and support projects with long-term value worldwide. This is our contribution to a better future.



# ABOUT BASF GROUP

At a glance

**BASF is the world's leading chemical company – The Chemical Company. With around 105,000 employees, six Verbund sites and approximately 380 other production sites worldwide, we help customers and partners in almost all industry sectors and countries around the world to be more successful. Our portfolio ranges from oil and gas to chemicals, plastics and specialties such as crop protection products. In 2009, BASF posted sales of €50.7 billion and income from operations of €3.7 billion.**

## We operate on a global scale

BASF was founded as the Badische Anilin- & Soda-Fabrik in 1865 by Friedrich Engelhorn, to produce synthetic textile dyes from coal tar. Today, the company is a global concern with subsidiaries in more than 80 countries across all regions of the world. BASF is a European Company, a Societas Europaea (SE), and is headquartered in Ludwigshafen, Germany. The Ludwigshafen site is the largest integrated chemical complex in the world. It is also the largest 'Verbund' site in the BASF Group, interlinking production plants intelligently to save resources and energy. BASF operates five further Verbund sites in Belgium, China, Malaysia and North America.

## We create chemistry

As the world's leading chemical company, we play a decisive role in shaping the future. We combine economic success with social responsibility and environmental protection. Acting sustainably and striving continually for innovation are therefore core elements of our business activities. BASF is the only industrial company to regularly

present an externally verified, comprehensive corporate carbon footprint for its chemicals business. The results show that our climate protection products save three times more greenhouse gas emissions than are released in the production and disposal of all products made by BASF. We not only set ourselves ambitious energy efficiency goals, but through our products and services, we help our customers to save energy and resources, to protect the climate and the environment, and to operate sustainably. Ultimately, we create better relationships between the elements, businesses, people and their environment.

The innovative chemistry of BASF is the driving force for many industries and provides an important impetus for new products, technologies and processes. In 2009, BASF had more than 9,300 employees in research and development worldwide and over 1,900 research collaborations with universities, institutes, startup companies and industrial partners. In 2009, we invested around €1.4 billion in research and development projects.

Our approach helps us to find answers to global challenges such as climate change, resource conservation, health and nutrition, housing and mobility. This is our contribution to a better future for us and for coming generations. As we like to say, we don't just create chemicals, we create chemistry.

 [www.basf.com](http://www.basf.com)

[More information on BASF](#)

## HEADQUARTERS OF THE BASF GROUP

The heart of the BASF Group is BASF SE headquartered in Ludwigshafen, Germany. With its over 200 chemical production plants, several hundred laboratories, technical centers, workshops and offices, it is the largest integrated chemical complex in the world.



# COMMITMENT TO CHINA

## Letter from the Greater China Country Board Members

*Dear Stakeholders,*

At the beginning of 2009 it was clear already that the crisis would have a profound impact on BASF – globally, and in China. The first half of the year brought many uncertainties in the markets and industries. We saw that the situation was very difficult for many of our customers. Therefore we immediately took measures to stay close with our customers at all levels from top management to our sales forces. We wanted to underline that BASF is a partner of choice in times when the economies worldwide are most challenging.

In parallel we continued to optimize our own operations and to increase efficiency and effectiveness, not only in our plants, but also in our laboratories and all the other facilities and functional units. We closely examined major projects based on our mid- and long-term strategy.

In particular, we proceeded with our plans for two major investment projects. One is the expansion of our Nanjing Verbund joint venture, which broke ground on September 28, 2009. The other is our planned MDI project in Chongqing. We underlined our commitment and continued preparations for our production facility which is expected to come on stream in 2014.

Our Asia Pacific Strategy 2020 has effectively guided our organization through the crisis. The strategy recognizes China as a very important growth engine in this region. Further, BASF wants to strengthen its research and development capabilities in China to serve its local

customers with intelligent and tailor-made solutions even better in the future.

Despite the economic challenges, we maintained our commitment to sustainable development in Greater China. We started another round of our successful “1+3” project in order to raise standards in our supply chain including suppliers, partners, and customers. We published a report on our performance in Greater China. We drove the integration of the former Ciba operations in a timely manner. Two very successful stations of the initiative “Germany and China – Moving Ahead Together” in Shenyang and Wuhan took place, and BASF again participated with its pavilion showing sustainable and energy efficient solutions for housing, construction and mobility. When the new Beijing Science and Technology Museum was inaugurated, we joined this opening with our renowned BASF Kids’ Lab®. We also continued to expand our “Grow” graduate program and Campus Talk sessions in 2009.

BASF has again proved to be committed to its stakeholders in China. We will continue to accompany our customers and partners through the continued recovery of global and local markets. As a specific highlight, we are participating in the World Expo 2010 in Shanghai where our Greater China headquarters are located.

We look forward to continue working with our partners in Shanghai and around Greater China for mutual success!

Johnny Kwan

Dr. Zheng Daqing

Dr. Karl-Heinz Böhning

### BASF GREATER CHINA COUNTRY BOARD

BASF established the Greater China Country Board as a new leadership structure beginning of 2008. It focuses on three specific areas, represented by the Country Board Members.

### JOHNNY KWAN

- Originally from Hong Kong
- Chemical Engineer, 14 years with BASF
- Chairman of the Greater China Country Board
- Finance and Controlling, Human Resources, Legal, Government and Scientific Liaison, Corporate Communications, Corporate Social Responsibility





**Johnny Kwan**  
Chairman  
Greater China Country Board



**Dr. Zheng Daqing**  
Member  
Greater China Country Board



**Dr. Karl-Heinz Böhning**  
Member  
Greater China Country Board

## Dr. ZHENG DAQING

- Originally from Dalian, Liaoning Province
- Chemical Engineer, 14 years with BASF
- Member of the Greater China Country Board
- Business and Market, Procurement, Supply Chain Management

## Dr. KARL-HEINZ BÖHNING

- Originally from Fulda, Germany
- Chemist, 26 years with BASF
- Member of the Greater China Country Board
- Production and Technology, Responsible Care® Management

# OUR STRATEGY FOR ASIA PACIFIC

Interview with Dr. Martin Bruder Müller

Member of the Board of Executive Directors of BASF SE responsible for Asia Pacific

## In 2009 you announced an ambitious growth strategy for Asia Pacific. What makes you so confident that you can double BASF sales by 2020?

BASF has been committed to Asia Pacific for many years, and we know this region and our customers here very well. The Asian markets will continue to develop dynamically and will account for 70% of the world's additional demand for chemical products by 2020. Based on these positive fundamentals we developed our Asia Pacific strategy with the expertise and participation of BASF specialists across the entire region. From this deep knowledge, we are very certain that the Asia Pacific growth markets will continue to provide attractive opportunities.

## With such a long time horizon, how can you predict the impact of future crises?

We have seen many crises, and we have always come out of them stronger than before. The latest crisis will not be the last, and between now and 2020, we may yet feel an impact that we can't currently predict. In 2009 we have shown that short-term economic fluctuations do not change our strategic approach and our commitment to these dynamic markets.

## How is the new strategy different from what you have done before?

We are focusing even more on our local presence and on a close cooperation with our customers. Through our newly-established Industry and Customer Target Groups, we can better provide our expertise across all our businesses to our customers. We are also increasing our R&D footprint in the region. These initiatives, together with our operational excellence program, will form the basis for BASF to out-grow the markets in the region.

## What are the focus areas of BASF's innovation efforts?

Our goal is to develop innovations in Asia for Asia. Due to the rapid economic growth in the region, there is an enormous demand for sustainable solutions that ensure the balance of economic, environmental and social needs. We have intelligent answers to the challenges in the areas of mobility, housing and construction, as well as health and nutrition. We are looking forward to working closely on these topics with our most innovative customers in a close partnership.

## Can you give a few examples?

Our chemical innovations add value to nearly every industry. Some highlights include engineering plastics for lightweight cars; insulation systems and concrete admixtures for energy-efficient housing; biodegradable packaging materials; environmentally friendly paint ingredients; yield-enhancing programs for farmers; and advanced intermediates for pharmaceutical production.

## What's the most important impact of this strategy on China?

In 2010, we are celebrating the 125<sup>th</sup> anniversary of our presence in China and all along it has been a very important market for our Asia Pacific strategy. In 2009, China was the third largest country for sales of BASF, and we expect continued strong growth of the chemical market of more than 7 percent in the coming years. So we are expanding our integrated site in Nanjing together with our partner Sinopec, and we are planning a new world-scale plant in Chongqing for the production of MDI which is a plastics precursor. As innovation is a key focus for us, we are making Shanghai one of our regional R&D hubs. All of this enhances our capability to provide our customers with the solutions they require. It is our highly committed team in China that is driving this strong growth strategy.

## OUR STRATEGIC GUIDELINES

### We earn a premium on our cost of capital

The prerequisite for long-term success is earning a premium on our cost of capital. In 2009, despite the severe economic crisis and €785 million in one-off integration costs related to the Ciba integration, we only narrowly missed this goal.

### We form the best team in industry

We want to recruit, support and retain the best employees. That is why we invest in our employees' development and help them balance work and family life. With our Diversity + Inclusion initiative we promote teams that create value with their diverse backgrounds and experiences.

**BASF Asia Pacific Strategy 2020**

Through 2020, BASF aims to grow on average two percentage points faster than the Asia Pacific chemical markets each year. To meet this ambitious goal, which would double regional sales by 2020, the company has developed the BASF Asia Pacific Strategy 2020.

- Growth of two percentage points above market
- Earn premium on cost of capital
- 70 percent of sales to be manufactured locally in Asia Pacific
- Headcount to increase by at least 5,000
- Investments of €2 billion planned between 2009 and 2013
- Efficiency improvements to save €150 million annually by 2012

This strategy is based on a combination of growth and new business initiatives.

In Asia Pacific, BASF will organize its sales efforts around key industries in order to grow faster than the market. The company has established an initial set of industry target groups where it intends to become a preferred supplier, including the automotive, construction, packaging, paint and coatings, and pharmaceuticals industries.

We will increase our headcount by at least 5,000 from approximately 15,000 which were employed at the end of December 2009. At the same time, we will double the number of employees in research and development from currently 400 by 2020, especially at our two major R&D hubs in China and India. In our two challenging growth markets, China and India, we have set up dedicated recruitment centers to help us hire the talents we need.



**»BASF has a history of 125 years in China, and we expect continued economic growth of more than 7 percent!«**

**Dr. Martin Bruder Müller**  
Member of the Board of Executive Directors of BASF SE  
responsible for Asia Pacific

BASF plans to generate 70 percent of regional sales from local production, investing €2 billion between 2009 and 2013. This amount includes the expansion of its site in Nanjing, China, and its planned 400,000 t/a MDI project in Chongqing, China.

Simultaneously, we aim to create efficiency improvements that are expected to save €150 million annually by 2012, for example by debottlenecking production and by exploiting technical synergies.

**We help our customers to be more successful**

We must recognize what our customers need tomorrow. As a reliable partner, we work with customers to develop solutions that will meet their individual needs and strengthen their competitiveness. To do this, we operate where our customers are - in all the world's important markets.

**We ensure sustainable development**

For us, sustainable development means combining economic success with environmental and social responsibility. We have anchored sustainability in our corporate strategy and organization: With sustainable products and services, we create competitive advantages for both BASF and our customers.

# OUR HISTORY IN GREATER CHINA

Milestones in a long-term engagement for continuous success

## Entering China: 1885 – 1990

BASF's history in China dates back more than 120 years. In 1885, the company began selling textile dyes to the then Imperial China. In 1913, shortly before the First World War, China already accounted for 14 percent of BASF's global sales. After the war, the company started to diversify its China business into indanthrene dyes and fertilizers. Later, BASF decided that it needed permanent representation in order to successfully operate in the Chinese market. In the 1950s, the company chose Jebsen & Co. to represent it as its sole agent for trade in China.

BASF's first direct investment in Greater China was realized in Taiwan in 1969, when BASF invested in the manufacturing firm Cheng Kuang Chemical Industrial Co. Ltd. and established the wholly-owned trading company Teh Hsin Dyes and Chemicals Co. Ltd. Cheng Kuang became BASF Taiwan in 1984 and merged with Teh Hsin in 1988 to form a sole BASF entity in Taiwan.

In 1982, BASF decided to take the representation in China into its own hands and established BASF China Ltd. in Hong Kong with responsibility for selling BASF products there and in mainland China. Sales offices subsequently opened in Beijing, Shanghai and Guangzhou.

Over the years, business in mainland China grew steadily which made direct investment a promising option as well. In 1986, BASF established its first joint venture in China: Shanghai Gaoqiao BASF Dispersions Co. Ltd. which produces styrene-butadiene dispersions for coating paper and carpets.

## Deepening engagement: 1990 – 2000

In 1994 and 1995, several additional joint ventures started operations: Shanghai BASF Colorants and Auxiliaries Co. Ltd. (today BASF Auxiliary Chemicals Co. Ltd.), Yangzi-BASF Styrenics Co. Ltd., Nanjing, BASF Shanghai Coatings Co. Ltd., BASF Vitamins Co. Ltd., Shenyang, and BASF JCIC Neopentylglycol Co. Ltd., Jilin.

China became an even more important business partner which led BASF in 1995 to base its East Asia regional headquarters in Hong Kong. In 1996, BASF established its holding company BASF (China) Co. Ltd. in Beijing in order to integrate BASF's operations in mainland China and to provide corporate services to its companies in China. Five years later, the businesses in mainland China and Taiwan were integrated in the Greater China sub-region managed from BASF China Ltd. in Hong Kong.

During the Asian financial crisis in the late 1990s, BASF still pushed ahead with its expansion plans in the emerging regional economies. For example, BASF Polyurethanes (China) Co. Ltd. was established in 1998 in Guangzhou.

## Major investments: 2000 – 2004

BASF signed its largest single investment in the history of the company in 2000. BASF and China Petroleum & Chemical Corporation (Sinopec) established the BASF-YPCC Co. Ltd. joint venture to build a Verbund site in Nanjing which involved an investment volume of US\$2.9 billion. In September 2001, the groundbreaking ceremony for the construction took place. In 2003, at the Shanghai Chemical Industry Park in Caojing, a suburb of Shanghai, BASF

## YESTERDAY

Innovative chemical solutions laid the foundations for BASF's success right from the beginning. Only 20 years after the company's foundation in Germany in 1865, BASF started doing business in China by trading textile dyes, one of the most important chemical products of the time.



Chemicals Co. Ltd. laid the cornerstone for the world's largest integrated production facility for polytetrahydrofuran, marketed under PolyTHF®, and tetrahydrofuran (THF). One year later, two more groundbreakings followed: Shanghai BASF Polyurethane Co. Ltd. and Shanghai Lianheng Isocyanate Co. Ltd., together with joint venture partners – Huntsman Polyurethanes and other Chinese partners.

Also in 2004, we relocated both the headquarters of the Greater China sub-region from Hong Kong and the Holding Company from Beijing to Shanghai in order to concentrate our activities and management in one place. An acquisition in the field of electronic materials added two more plants in Shanghai and Taiwan. That year, BASF posted sales in Greater China of more than €1.9 billion, almost 20 percent of which was generated by local production.

#### Growth and integration: 2005 – 2009

In 2005, the BASF-YPC Co. Ltd. Verbund site in Nanjing started production. One year later, the partners BASF and Sinopec decided to expand the joint venture. A feasibility study was submitted in 2008. In July 2009, the expansion was approved by the government, quickly followed by the groundbreaking in September. The total investment is US\$1.4 billion. The expansion will increase the cracker capacity to 740,000 tons. Ten new plants will be built and three existing ones expanded.

In 2005, the THF and polytetrahydrofuran site in Caojing started operations. A year later, commercial production of methylene diphenyl diisocyanate (MDI) and toluene diisocyanate (TDI), precursors for polyurethanes, were

launched there as well. In June 2007 BASF Polyurethanes Specialties (China) Co. Ltd. was inaugurated, comprising a regional polyurethane technical research and development center, a system house and thermoplastic polyurethanes production. BASF also plans to build an additional MDI plant in Chongqing. This proposed MDI project is planned to launch commercial production by 2014.

In 2007 and 2008, production facilities in Greater China were added through our acquisitions in the fields of water-based resins, catalysts, construction chemicals and specialty chemicals. One example of these specialty chemicals plants is in Kaoshiung, Taiwan, producing Tinosorb® S, a most advanced UV filter for sunscreen protection.

Effective 2008, the company formed the BASF Greater China Country Board. In the ten years up to 2009, BASF in Greater China maintained a growth rate of around 20% every year.

In July 2009, BASF (China) Co. Ltd. published its first country-level integrated report covering the economic, environmental and social performance of the company. This report has won recognition from various stakeholders.

## TODAY

Founded in 1994, BASF Auxiliary Chemicals Co. Ltd. produces engineering plastics and specialty chemicals such as amino resins, pigment preparations, coolants, leather and textile chemicals, as well as dispersions. Today, together with BASF Polyurethanes Specialties (China) Co. Ltd., it is part of BASF's Pudong site in Shanghai, a production and technology hub in Greater China. Since 2005, the headquarters of BASF in Greater China are also located at this site.

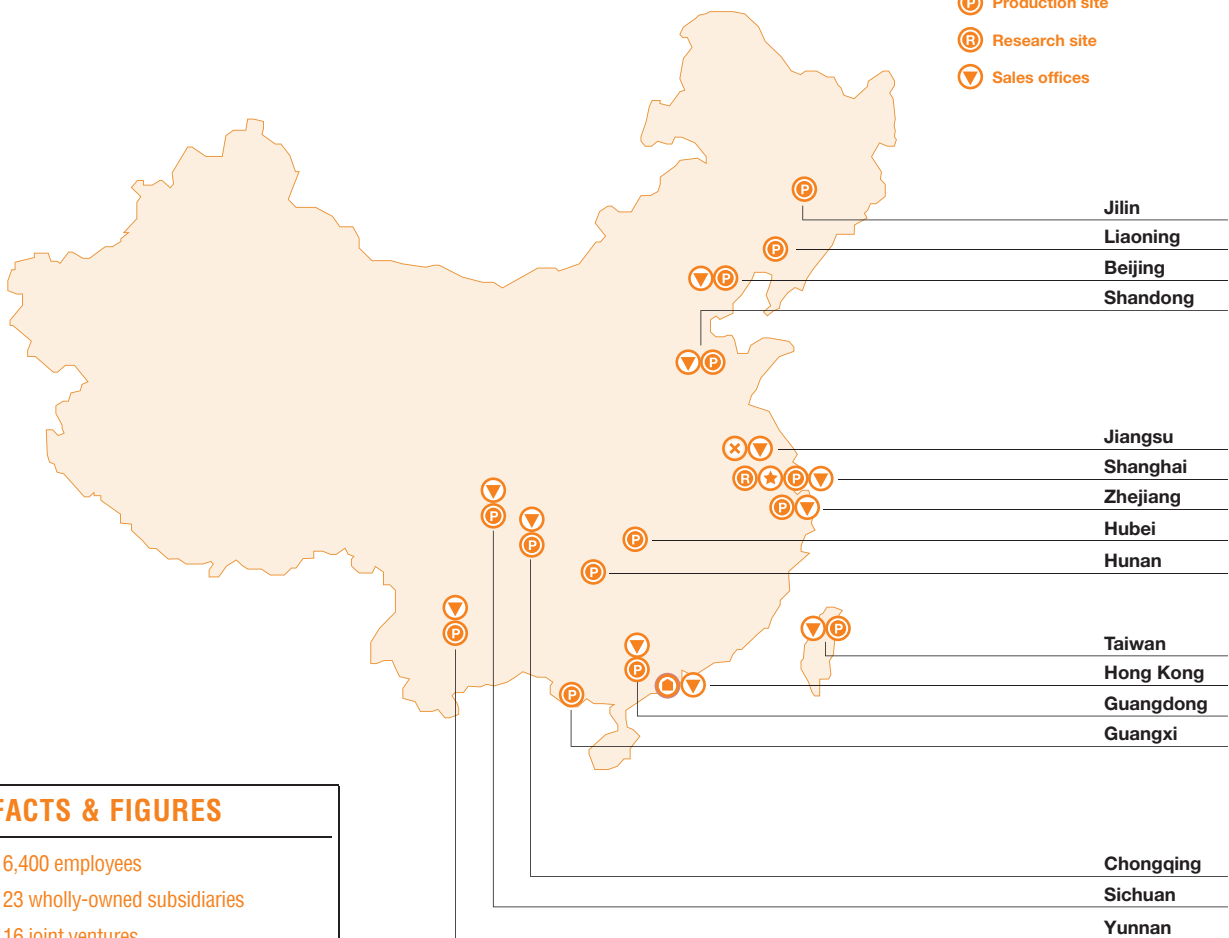


# STRONG LOCAL PRESENCE

Major sites including Verbund production

BASF's third largest market after Germany and the United States in 2009

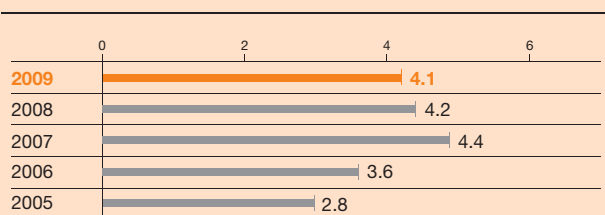
- Asia Pacific Regional headquarters
- ★ Greater China headquarters
- ✕ Verbund site
- Ⓟ Production site
- Ⓡ Research site
- ▼ Sales offices



**FACTS & FIGURES**

- 6,400 employees
- 23 wholly-owned subsidiaries
- 16 joint ventures
- 38 production sites
- 50 sales offices

## DEVELOPMENT OF SALES IN GREATER CHINA (billion €)



## BASF PRODUCTS

BASF's business in Greater China includes products such as petrochemicals, inorganics, polymer dispersions, polyurethanes, engineering plastics, coatings, finishing products for the textile and leather industries, electronic materials, intermediates, catalysts, construction chemicals, paper chemicals and care chemicals.

**As China develops into a global manufacturing hub with a rapidly growing number of consumers, it is becoming increasingly important to supply customers from a reliable local source. That is why BASF has invested around €3.5 billion since 1990 to build a locally competitive production, marketing, sales and technical service network in Greater China.**

**Nanjing: Expansion of Integrated Petrochemical Site**

BASF-YPC Co. Ltd. run by BASF and China Petroleum & Chemical Corporation (Sinopec) in Nanjing, is one of the largest petrochemical joint ventures in China. The original US\$2.9 billion investment was borne equally by both partners. A steam cracker and nine downstream plants began operations in 2005. In 2009, BASF-YPC Co. Ltd. started construction work for the expansion of the site. BASF and Sinopec together invest an additional US\$1.4 billion in order to extend the value chain and to increase the production of chemicals. In order to achieve this, the capacity of the steam cracker is expanded, along with construction of ten new chemical plants. This second phase is expected to be operational from 2011 onward.

BASF-YPC Co. Ltd. is an example of BASF's successful Verbund concept. Production plants are intelligently linked via a network of pipelines. This saves logistics costs for transporting chemicals, raw materials and energy. One example: excess heat from one production plant is used for production in a neighboring plant. BASF also uses combined heat and power (CHP) plants which generate 3.5 times more electricity per metric ton of steam than conventional power plants.

**Shanghai: A technological hub with various facilities in Pudong and Caojing**

At its site in Shanghai's Pudong, BASF operates several factories and research entities. BASF Auxiliary Chemicals Co. Ltd., launched in 1994 and since 2000 wholly owned by BASF, produces engineering plastics and specialty chemicals such as amino resins, colorants, pigment preparations, coolants, leather and textile chemicals, acrylic dispersions and acrylic copolymers. BASF Polyurethanes Specialties (China) Co. Ltd., which started in 2007, operates a system house for polyurethanes, a technical research and development (R&D) center and a production plant for thermoplastic polyurethanes. BASF also operates one of its two regional R&D hubs at the Pudong site.

At the Shanghai Chemical Industry Park in Caojing, BASF has established two joint ventures with Huntsman and several Chinese partners. Since 2006, they produce methylene diphenyl diisocyanate (MDI) and toluene diisocyanate (TDI) which are key polyurethane components. Polyurethanes are used in the automotive and construction industries and in products such as refrigerators, upholstery, mattresses and footwear. The total investment in the project was US\$1 billion.

Other BASF companies in Shanghai produce catalysts, paper chemicals, plastic additives, automotive coatings, electronics and construction chemicals.

**Chongqing: Chosen site for a new world-scale MDI plant**

BASF plans to construct an additional MDI plant in Western China's biggest metropolis, Chongqing. Commercial production is scheduled to start in 2014.

**VERBUND SITE EXPANSION**

BASF and Sinopec began the construction for the expansion of their joint venture, BASF-YPC Co. Ltd. The partners plan to jointly invest approximately US\$1.4 billion in technologies to produce downstream chemical intermediates and specialties for the Chinese market.



# RESEARCH AND DEVELOPMENT

Custom-made innovations in Greater China

**BASF constantly expands its research and development (R&D) facilities in China in order to create tailor-made products for the local market. Shanghai has become the company's research hub for Greater China, also serving the Asia Pacific region. For example, BASF inaugurated its first plasticizer applications laboratory in Asia at the Pudong site in 2008. Other BASF research facilities there include an application laboratory for polytetrahydrofuran – marketed by BASF under the PolyTHF® brand – a technical research and development center for polyurethanes as well as development centers for the Personal Care, Pharmaceutical Solutions and Beverage Application divisions.**

## New R&D facilities in 2009

In 2009, the new BASF Construction Chemicals Asia Technical Center was opened in Shanghai which develops innovative solutions for customers in the construction industry across Asia Pacific. The center, located at the Pudong site, provides increased testing and analytical capabilities to develop innovations for concrete admixtures, cement additives, flooring systems, wall systems as well as concrete repair and protection products. The center addresses challenges such as faster construction processes, longer life spans, and the need for less energy consumption. The Asia Technical Center also supports joint research with customers for new product applications and formulations.

BASF Coatings established a Technical Lab & Competence Center in Shanghai's Caohejing High-Tech Park which joined forces with its global R&D network. There, BASF developed NORBIN™, its first decorative paints brand for the Chinese market which was launched in 2009.

NORBIN™ is specially designed for China where weather resistance, dirt pick-up and acid-rain resistance, washability, high color fastness and environmental friendliness are important criteria. The center also develops some functional products such as heat reflective coatings which enhance the energy efficiency of buildings.

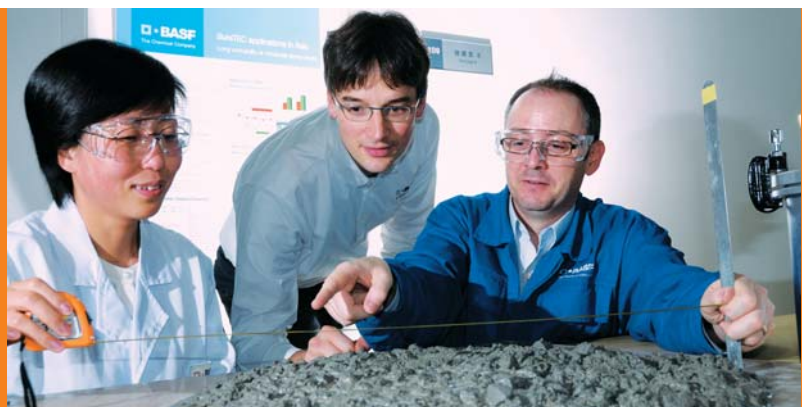
BASF upgraded the existing R&D center at BASF Catalysts' mobile emissions catalysts facility in Guilin in the Guangxi Zhuang Autonomous Region which includes a plant that manufactures motorcycle and small engine catalysts. The center was refurbished with state-of-the-art emission testing and characterization capabilities. As every new catalyst technology has to first be tested for its effectiveness, our new and flexible testing equipment enhances the speed of catalyst development. This is important as the implementation of Euro III emission standards, scheduled for 2010, will demand new effective solutions.

## BASF Sino-German Research and Development Fund

The BASF Sino-German Research and Development Fund was established in 1997 with the objective to enhance BASF's R&D capacities in Greater China as well as to promote cooperation with the Chinese scientific community. To date, more than RMB70 million has been invested into the fund which promotes cooperation with Chinese universities, research institutes under the Chinese Academy of Sciences and R&D companies. By the end of 2009, the fund had established 150 cooperative research projects in the fields of advanced material science, nanotechnology, organic synthesis, industrial catalysts, industrial biotechnology, plant science and chemical engineering and technology.

## INNOVATIVE SOLUTIONS FOR THE CONSTRUCTION INDUSTRY

The BASF Construction Chemicals Asia Technical Center in Shanghai contains advanced laboratories and equipment to support regional product development and analytical testing for a wide range of product systems such as concrete admixtures, cement additives, flooring systems, wall systems, concrete repair and protection products.





# FOCUS ON EDUCATION

Benefits for children and young adults beyond teaching

## BASF reconstructs Muma School in Sichuan

On September 14, 2009, 16 months after the devastating earthquake in 2008, more than 600 students from Muma School moved into their new and expanded campus in Meishan, Sichuan province. Immediately after the Sichuan earthquake, BASF had written to the Meishan government to initiate the reconstruction project and received a positive response within hours. All BASF companies and employees in Greater China, and those from the regional office in Hong Kong, raised a total of RMB3 million in donations in a very short time for the reconstruction of Muma School. Employees at BASF's German headquarters also contributed. In addition to the funds BASF also provided energy-efficient building materials. These included the application of both the exterior insulation finish systems and a polyurethane roofing system.

## BASF Kids' Lab – fun with chemistry

BASF Kids' Lab® is an interactive chemistry laboratory where children can experience the magic world of chemistry with our carefully chosen and safe experiments which demonstrate the positive effects that chemistry has on our everyday life. Since BASF Kids' Lab® was introduced in Greater China in 2002, a total of 104,000 children have participated in Beijing, Nanjing, Shanghai, Chongqing, Guangzhou, Shenyang, Wuhan, Hong Kong and Taipei. At our 2009 BASF Kids' Lab®, children conducted experiments like "Magic Blue Reaction" which helped them understand a fundamental scientific principle by observation – oxidation and reduction reaction.

## The "Goodwill Teacher" program

Since 2005, BASF's "Goodwill Teacher" program supports activities such as "Intellectual Assistance to the Disabled",

initiated by the Shanghai Huangpu Association of the Disabled. BASF employee volunteers take turns teaching weekend English lessons, using multimedia tools to enable the students to learn and enjoy the lesson. For this work, BASF in Greater China was honored as "Excellent Organizer" at the 10th Anniversary Ceremony of Shanghai Municipal Welfare Foundation-Intellectual Assistance to Disabled on October 24, 2009.

## Supporting higher education in China

Since 1997, more than 1,830 undergraduates and postgraduates at 15 universities have received BASF scholarships. BASF also sponsors regular industry summer courses and industry seminars in China. More than 10,300 students have participated so far. For example, 75 undergraduates have attended the BASF Greater China Industry Summer Course since 2006 to experience BASF and its modern technological and sustainable development concepts. Moreover, 52 postgraduates from Greater China have been selected since 1997 to participate in the BASF International Summer Course at the company's headquarters in Ludwigshafen, Germany.

## "Fascinating Chemistry"

BASF and the College of Chemistry and Molecular Engineering, Peking University, hold a popular course named "Fascinating Chemistry" for non-science university students aiming at raising students' interest in chemistry. It has been awarded as one of the most popular scientific courses by Peking University since 2005. As a higher education model project of the Beijing municipal government, the course was featured in a book published by the Peking University Education Press in March 2010.

## SMILING FACES FOR NEW SEMESTER

More than 600 students from Muma School moved into their new and expanded campus in Meishan, Sichuan province, to start their new semester. Built on the ruins of Wuyang School, the new Muma school started reconstruction in December 2008 and was completed in June 2009.



# EMPLOYEES

## Commitment and relationships

**One of BASF's strategic guidelines is to form the best team in industry. We regard our employees as our most valuable asset. BASF in Greater China has about 6400 employees from 30 countries. In exploring each employee's skills, experience and competencies, the company offers a broad platform for their future growth.**

### The "Grow" graduate program

As one part of the strategy 2020 for Asia Pacific, the "Grow" graduate program of BASF is aimed at selecting, training and developing university graduates from all over China with potential and enthusiasm to support the future growth of our company. The selected graduates work on a rotation basis in business, functional or production departments for 18 to 24 months while acquiring skills to lay a solid foundation for their future career development. During the rotations, the graduates participate in structured training and online learning.

BASF holds regular Campus Talk sessions under the theme of "Shape your future with the global leader". Senior Executives of BASF introduce the company's sustainable development commitment in China, its diversified career opportunities and comprehensive training and development programs in order to let the students better understand BASF. In addition, employees who had graduated from the respective universities and former trainees share their personal experiences with the students.

### "Red Carpet" for new employees

BASF's "Red Carpet" orientation program was originally launched in 2005. As its name suggests, BASF welcomes its new employees with this three-month learning and integration program including intranet self-learning, networking, team building among new employees, team learning and presentations. It helps the employees to get

integrated efficiently into BASF's family. This program covers all employee groups, including managerial and professional staff as well as employees working at manufacturing sites.

### Competency based performance management system

Our career development system is based on BASF's Global Competency Framework which consists of three categories: entrepreneurship, social interaction and cooperation as well as leadership. This framework contains 14 competencies. Among them, striving for achievement, communication and interpersonal understanding as well as customer focus are considered as core competencies at BASF in the Asia Pacific region. Based on regular reviews with every employee, individual development and training plans are derived and implemented.

### Various opportunities for career development

BASF provides structured training programs as well as various development opportunities consistently to all employees across Greater China. We offer a broad range of learning opportunities like class room teaching, training on-the-job or in projects, domestic and international assignments. Modern online tools are becoming more important, but personal networking among employees remains a key target.

BASF selects talents and has developed a series of leadership development programs: Leadership Excellence Acceleration Program (LEAP), Asia Pacific Program for Leadership Excellence (APPLE) and the Global Executive Candidate Program.

## SHAPE THE FUTURE

BASF's 2010 Campus Talk toured six major Chinese cities, attracting more than 3,000 university students. They had the opportunity to learn about BASF and the "Grow" program which is tailor-made for graduates.



**Number of employees of BASF in Asia Pacific and Greater China**  
(as of December 31)

	2005	2006	2007	2008	2009
<b>Asia Pacific</b>	10,000	12,800	13,300	13,700	14,800
<b>Greater China</b>	4,000	5,500	6,000	6,300	6,400

**Market and performance driven remuneration package**

BASF aims to provide a market competitive total remuneration package to the employees in Greater China, which is composed of the annual guaranteed cash, variable bonus and a whole set of benefits both statutory-required and company self-provided. Our performance management system enables us to recognize and reward our employees based on employee and company performance.

**Our employees' health and safety**

BASF places strongest emphasis on employees' health and safety. In order to come closer to the goal of "zero accidents", we pay specific attention to preventing accidents (details see page 21). In addition, we provide professional medical services to foster a healthy lifestyle among our employees. Our "Steps to Health" initiative promotes daily walking and supports employees in developing good sporting habits – with the long-term goal to prevent chronic health problems. In order to help employees encountering difficulties while traveling, BASF has established an emergency network to give initial help 24 hours a day.

**Open dialogue system**

BASF has established a dialogue system in order to boost effective communication among employees, and between employees and management at work places. This allows open discussions about all work related issues. Furthermore, we have taken measures to collect feedback from our employees using a neutral and systematic platform: A global employee survey was conducted in

2008 to provide all employees with the opportunity to share their opinions. In 2009, various survey results communication meetings and focus group discussions were conducted to design adequate follow-up measures.

**A joint trade union for BASF in China**

In November 2009, a BASF joint trade union was established in China, thereby combining several existing BASF trade unions into a single entity. Supported by the Shanghai Pudong New Area Trade Union, the formation of a joint union makes BASF a pioneer among multinational companies. In its first stage, the joint trade union includes individual unions from five BASF wholly-owned companies in Shanghai and their branches in Beijing and Guangzhou. A joint trade union helps to protect employee rights and benefits, supports harmonized labor relationships and resolves labor conflicts to the benefit of both employees and the company.

**The BASF family**

BASF cares about employees and their family members. Our "Global Family" program is an international holiday exchange opportunity created for employees' children aged from 14 to 19. BASF host families in different countries exchange children for two weeks, so the kids experience living overseas during their summer vacation.

Through BASF's Open Day program, families of employees can get to know more about the company's operations in Greater China and the safe environment of the BASF work place. Such actions help to build stronger ties among the families of employees and BASF.

 [www.greater-china.basf.com](http://www.greater-china.basf.com)

**BASF FAMILY**

Our Open Day program as well as the "Global Family" program create chemistry between BASF and the families of our employees. In particular for children it is most exciting to meet each other across the regions. BASF in Greater China participates in this program and invites children from all over the world.



# SUSTAINABILITY MANAGEMENT

Commitment to global values and standards

**BASF operates worldwide, which is why we are committed to upholding global values and standards. We are a founding member of the United Nations Global Compact, a strategic policy initiative for businesses which are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. BASF has established instruments to ensure that internationally recognized standards are observed at all its sites.**

## Responsible Care management

Responsible Care® is the chemical industry's global voluntary initiative under which companies work together to improve their performance in the field of environmental protection, health and safety (EHS) and to communicate with stakeholders about their products and processes. BASF co-initiated the Responsible Care® Global Charter in 2006. In 2007, we launched our own Responsible Care® Management System which has since formed the basis for all our EHS activities. This system ensures that globally applicable standards for product stewardship and transport safety form the basis of our daily work. In 2009, for example, BASF adopted three new directives on global incident reporting, corporate and information security and toll manufacturing. With the latter, we ensure that our EHS standards are also adhered to by firms who produce BASF products on our behalf. In 2009, BASF Chemicals Co. Ltd. was honored by the Shanghai Chemical Industry Park for outstanding safety management for the third consecutive year.

## Occupational Health and Safety

At BASF, we are continually working not only on maintaining but also on improving safe working conditions. We believe that qualified, safety-conscious employees and safe plants are a prerequisite for smooth production. BASF risk assessment techniques are used at all our sites in China. In 2009, our BASF Global Incident Database started to collect all incidents and accidents countrywide, including first aid injuries and near-miss accidents. Weak points are analyzed and the lessons learned from accidents, including corrective actions, are shared with all sites to prevent such accidents from re-occurring. BASF also runs a global "Safety Champion" campaign and, in Asia and Greater China, an initiative called C.A.R.E., which both aim to enhance the company's safety culture and to promote employees' safety awareness and behavior. Since its start in 2008, the C.A.R.E. campaign has been rolled out to most sites in Greater China. More than 3,000 employees and contractors have participated so far.

## Compliance

We make sure that all employees comprehend the ethical values adhered to at BASF and apply them to their work. In 2002, we became one of the first German companies to appoint a Chief Compliance Officer to oversee the global program. In addition, a global network of 100 compliance officers, all senior legal counsel, oversees the compliance regionally. Since 2004, we conduct obligatory compliance training for our employees. More than 25,000 BASF employees globally participated in compliance related meetings and courses in the year 2009 alone. In Greater China, BASF set up a compliance hotline in 2005, which allows employees to call anonymously to report incidents. Compliance is monitored, for example, through an annual survey conducted by BASF Group companies.

## EMERGENCY RESPONSE TRAINING

BASF constantly evaluates and upgrades its emergency response capability. Regular training sessions are conducted on safety, maintenance and the handling of dangerous goods.



# INNOVATIONS IN SUSTAINABILITY

New round of the “1+3” project in 2009

**BASF believes one company should not only work independently in corporate social responsibility (CSR) but also mobilize the industry and its supply chain partners to work together. For example, the analysis of emissions and energy consumption should take into account the entire lifecycle of a product from raw materials sourcing to disposal. In China, the “1+3” project launched by BASF is building up a responsible value chain by spreading the principles and practices of sustainability.**

## “1+3”: cooperation for sustainability

In 2006, BASF initiated a program called “1+3” which mobilizes and supports its business partners in China to improve their sustainability by enhancing performance in environmental protection, health and safety management. It was launched under the China Business Council for Sustainable Development (CBCSD) which is a coalition of leading Chinese and foreign enterprises operating in China. To date, more than 120 local and international companies in China are participating in the project.

“1+3” means that one CBCSD member company such as BASF teams up with three types of business partners – customer, supplier and logistics service provider – with the aim of promoting sustainability and giving guidance for best practices or customized solutions. Each of the three selected partner companies then introduces the same concept to a further three partners in its own value chain: a snowball effect is created. In 2008, BASF managed to complete the “1+3” project successfully with six partners. Since July 2009, it started a new round of the project with another 12 partners.

## How “1+3” works

BASF starts out by sending questionnaires to its “1+3” partners in order to help them identify areas for improvement. These could be pollution prevention or

occupational health and safety, for example. An expert team is then set up for each partner according to the chosen area of cooperation. BASF also shares its expertise through seminars, forums and site visits. During so-called “Eyes for Safety” visits, the BASF expert teams inspect their respective partner’s production site which, for example, helps them to become aware of potential problem areas previously overlooked. During the project implementation, BASF not only encourages its business partners to promote the “1+3” concept to further three partners in their own supply chain, but also aims to integrate sustainability into core business operations to increase the competitive edge. “Here lies the key value of BASF’s project that makes the whole process more practical,” said Yin Gefei, Vice President of WTO Tribune and Director, Golden Bee Development Centre for Chinese CSR. “More companies should join the initiative to promote this CSR concept along their own chains.” Furthermore, “1+3” puts an innovative customer relationship into practice and helps the customers to be more successful.

## The fruits of the sustainability project

In 2008 and 2009, the United Nations Global Compact named the “1+3” project as a best practice of promoting corporate social responsibility in China – which was then shared among members and enterprises worldwide. Moreover, the International Council of Chemical Associations (ICCA) included the “1+3” project in its Capacity Building Brochure to promote the concept in the entire industry. By disseminating “1+3” ideas and values to more partners, BASF successfully broadens the platform for dialogue with them. BASF’s partners, as a result, are also brought along in actively promoting the concept in their own supply chains. In this way, a long-term strategic partnership is enhanced and competitiveness down the supply chain is improved.

## BUILDING A RESPONSIBLE VALUE CHAIN

“We hope the ‘1+3’ project will provide our partners with scientific management methods to face existing challenges, as well as business opportunities in the future.”

Johnny Kwan  
Chairman of the BASF Greater China Country Board



# ENVIRONMENT & SAFETY

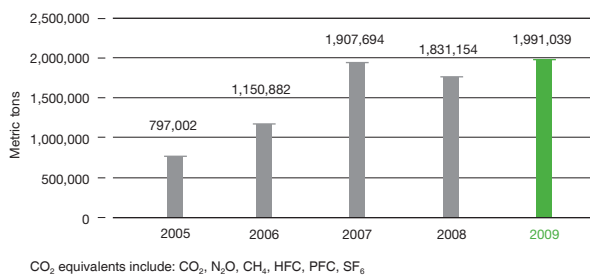
## Further increased energy efficiency

**Environmental protection and safety are important management responsibilities, for which we set ourselves ambitious goals. With globally applicable standards, we set out clear rules and make our employees adhere to these values in the workplace.**

### Climate protection

In 2009, emissions of greenhouse gases from BASF's chemical operations in Greater China totaled 1.99 million metric tons (plus 8.7% after 1.83 million metric tons in 2008). This increase was primarily due to the acquisition of Ciba and the rise of production volumes. Emissions per ton of product were reduced by 10% compared to 2008.

### Greenhouse gas emissions



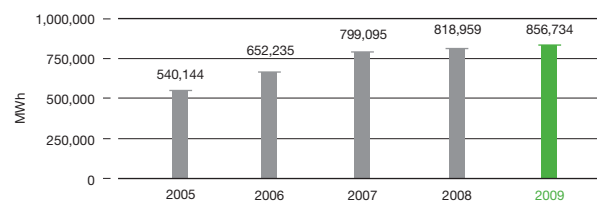
In 2009 we invested more than RMB10 million in one of our plants that had been identified to improve production performance. As a result, the energy consumption was reduced by more than 6,800 metric tons standard coal per year and consequently green house gas emissions were reduced by 8,000 metric tons of CO<sub>2</sub> equivalents per year. All BASF sites in Greater China are encouraged to take any appropriate measure to reduce energy consumption and emissions.

### Energy

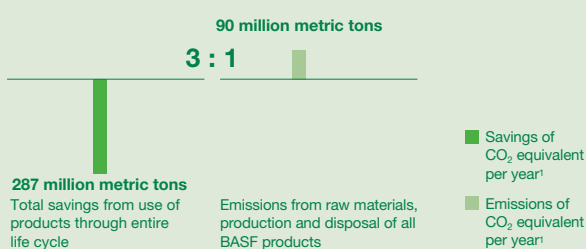
In 2009, the total energy consumption increased, mainly due to the acquisition of Ciba. The electricity consumption at our sites in Greater China totaled 856,734 megawatt hours (MWh, plus 4.6% after 818,959 MWh in 2008). At the same period of time our steam consumption totaled 3,874,034 metric tons (plus 41% after 2,744,931 metric tons in 2008). The fuel consumption for the central energy supply increased by 17% from 1,955,265 MWh in 2008 to 2,287,504 MWh in 2009.

Despite the increase in total energy consumption, we are making progress towards our long-term goal of reducing the specific energy consumption per ton of product. In 2009, we reduced the specific energy consumption in Greater China by 17% compared to 2008. This progress was made by several measures to improve energy efficiency. We analyze energy consumption and costs worldwide in order to identify potential savings. In 2009, we held a Greater China energy meeting with experts from Germany and around 40 colleagues from Greater China. The structured exchange of experience at regional and Group-wide levels helps us to transfer methods which have proved successful at one site to other locations. Our production plants are already very energy efficient. For example, BASF-YPC Co. Ltd. in Nanjing owns and operates a combined heat and power (CHP) plant which

### Total electricity consumption



## CORPORATE CARBON FOOTPRINT

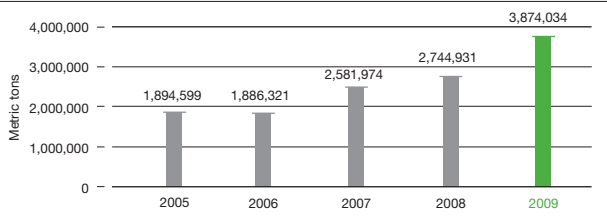


BASF is the only industrial company worldwide to regularly present a comprehensive corporate carbon footprint. Results of the carbon footprint show BASF products save three times more greenhouse gas emissions than are released in the production and disposal of all products. BASF wants to maintain or even improve this factor of 3:1 in the long term to secure competitive advantages and achieve its ambitious climate protection goals.

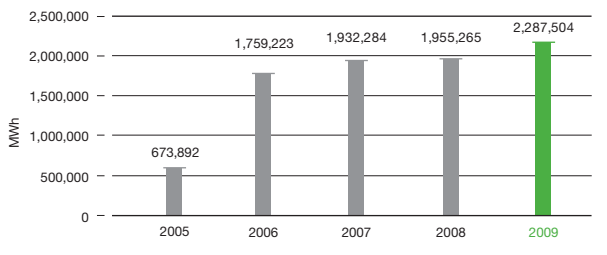
➔ More information at [basf.com/corporate\\_carbon\\_footprint](http://basf.com/corporate_carbon_footprint)

<sup>1</sup> from products produced in 2008

### Total steam consumption



### Total fuel consumption for central energy supply

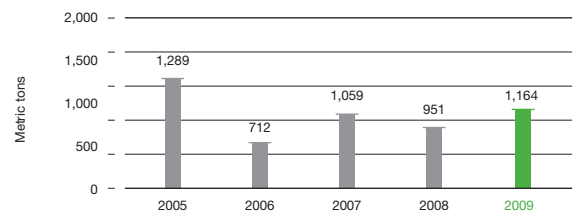


uses combined cycle gas turbines and has an efficiency factor of almost 90%. We also seek to maximize the use of waste heat. While focusing on efficient use of conventional energy sources, we significantly also examine the use of renewable energy.

### Emissions to air

In addition to measuring greenhouse gas emissions, we also monitor emissions of air pollutants which include inorganic compounds such as carbon monoxide (CO), sulfur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), ammonia and other inorganic compounds, or dust as well as non-methane volatile organic compounds (NMVOC). In 2009, emissions to air from BASF's chemical operations in Greater China totaled 1,164 metric tons (2008: 951 metric tons). This increase is mainly due to the acquisition of Ciba and the resulting increase of

### Emissions to air



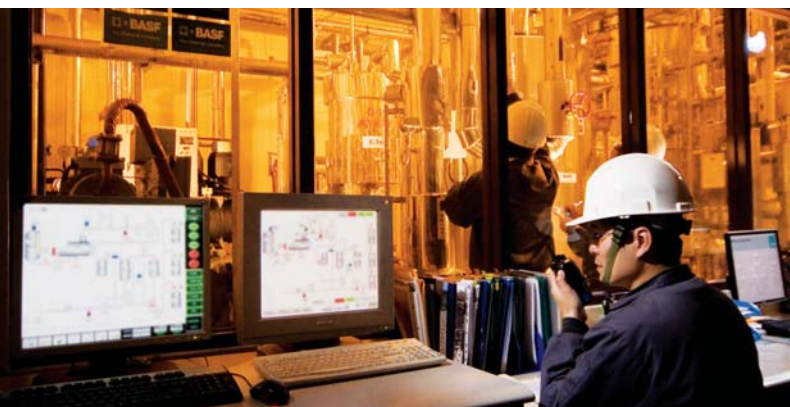
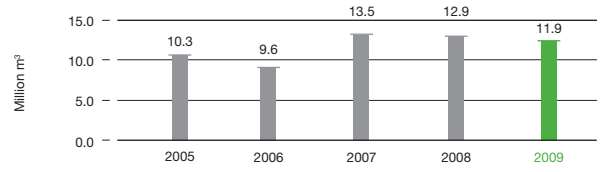
Air pollutants consist of: CO, NO<sub>x</sub>, SO<sub>x</sub>, NMVOC (Non-methane volatile organic compounds), dust, NH<sub>3</sub>, and other inorganic compounds.

production volumes. Based on our approach to continuously improve our operations globally by using the most modern technology, we have identified one plant to be equipped with a specific catalyst system in 2009. The catalyst reduces air pollutants emissions such as SO<sub>x</sub> or NO<sub>x</sub>.

### Water

BASF gradually reduces water consumption and reuses as much water as possible. In 2009, BASF used 11.9 million cubic meters of water in Greater China (minus 7.8% after 12.9 million cubic meters in 2008) – the majority of which was used for cooling. We achieved a gradual decrease by applying the latest technology and optimizing operations, for example through improvement of cooling water circulation systems.

### Water consumption



## PROFESSIONAL PRODUCTION CONTROL

Smooth and safe operations are a prerequisite for keeping emissions on the lowest possible level. BASF employees are trained to control production processes by using advanced technologies, for example at our plant in Taoyuan, Taiwan, where we produce electronic materials ranging from standard electronic grades up to the highest quality levels available in the markets.

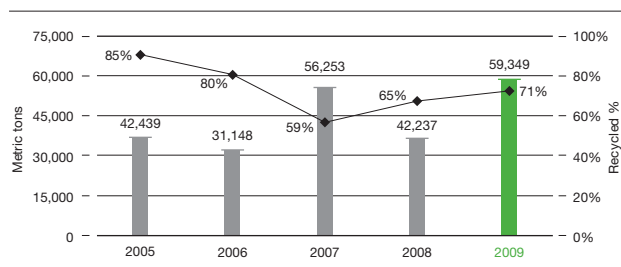
**Emissions to water**

In Greater China, emissions of organic substances to water – measured in chemical oxygen demand (COD) – amounted to around 434 metric tons in 2009 (minus 5% after 457 metric tons in 2008). Emissions of nitrogen were 18 metric tons (minus 78% after 80 metric tons in 2008), while those of heavy metals were 0.1 metric ton (minus 90% after 1.0 metric ton in 2008). We achieved this significant reduction of nitrogen and heavy metal emissions by expanding an existing wastewater treatment plant in Shanghai, through the divestment of a catalysts site in Nanjing as well as continued optimization of our production processes.

**Waste**

We only dispose waste after all recovery options have been exhausted, and we do so in a correct and environmental compatible manner. We also regularly audit external waste management companies. In 2009, BASF's production in Greater China generated 59,349 metric tons of solid waste (plus 41% after 42,237 in 2008). The increase was due to the acquisition of Ciba and the resulting increase of production and waste volumes.

**Waste**



**Product stewardship**

We strive for uniformly high standards of product stewardship worldwide which go beyond mere compliance with legal requirements, to ensure that our products pose no danger to people or the environment when they are used responsibly and in the manner intended. To this end,

we have enacted a global, Group-wide directive on product stewardship which is binding for all our operative decision makers. We are working on products that have positive characteristics without undesired side effects, such as low-dust tile adhesives and mortar or alternative plasticizers for plastics. Moreover, we currently review all substances produced or sold worldwide in the BASF Group in quantities of more than one metric ton per year, and assess their risks. We also want to review our sales products, including mixtures, in the same way – regardless of the volume of individual substances they contain. With our measures, we support the Global Product Strategy (GPS) of the International Council of Chemical Associations (ICCA). In addition, we are voluntarily engaged in the Strategic Approach for International Chemicals Management (SAICM).

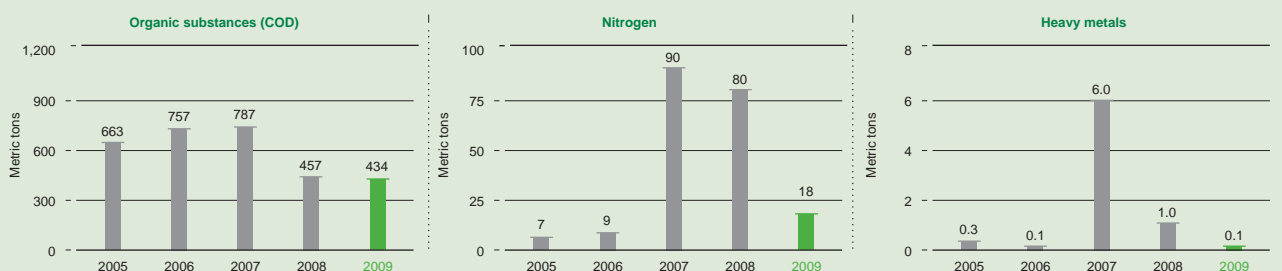
**Audits**

We regularly audit all our production sites. This is a key component of BASF's Responsible Care® Management System. Basis for this are Group-wide directives which include a defined procedure to be followed if standards are not adhered to. Criteria include emissions monitoring, occupational and distribution safety, emergency response and preventive health care. Our internal audit system complies with standards for external auditing procedures (ISO19011 and OHSAS18000).

**Safety and emergency response**

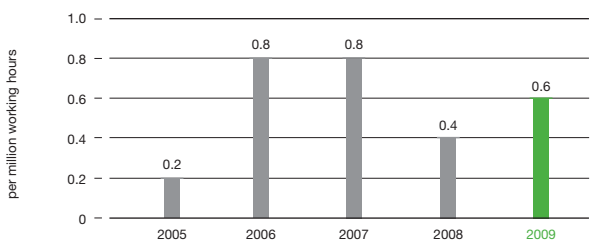
Ensuring the safety of a chemical plant is vital to protect the health of our employees and neighbors as well as to avoid environmental damage. Thus, we have introduced a five-step system of reviews for the planning and construction of new plants in order to avoid problems such as product spillages, fires or explosions. This system covers all important aspects of environmental protection, health and safety. In order to ensure our employees' awareness, we also hold regular seminars and training sessions on process safety and emergency response. We strive to reduce our lost time injury rate per million

**Emissions to water**

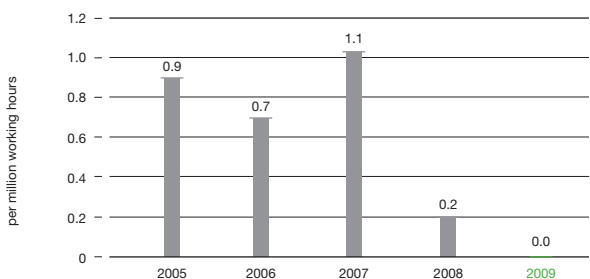




**Lost time injury rate - BASF employees**



**Lost time injury rate - contractors**



working hours by 80% worldwide compared to 2002. In 2009, the lost time injury rate at BASF in Greater China was 0.6 per million working hours (2008: 0.4 per million working hours) which remains a low level compared to international standards. For companies contracted to work at BASF sites in Greater China, the lost time injury rate was 0.0 per million working hours. No work-related fatality was recorded in 2009. BASF runs specific emergency response plans for all production facilities. Joint ventures, suppliers, neighboring companies, as well as cities and communities and their facilities are included into these concepts. Moreover, we have established an off-site emergency response network among BASF companies to provide advice at the scene of an accident in the Yangtze River Delta. We operate a similar system in Taiwan which was set up in cooperation with other chemical companies.

**Chemical transportation safety**

BASF assesses all logistics service providers, and only when we are sure that our partners meet all our safety requirements, we entrust them with our products. Our rules apply to all modes of transportation – such as truck or vessel – and include the delivery and distribution of chemicals between all BASF sites, their suppliers and customers. If an incident occurs despite all of our preventive measures, we provide swift assistance, and our transportation safety advisors subsequently evaluate all information in order to avoid similar accidents in the future. In 2009, our sites in Greater China implemented various measures to enhance transportation and distribution safety (TDS), for example, checks of dangerous goods and related UN-certified types of packaging. A Global Label Management project was initiated in March 2009 to meet the UN new Global Harmonized System which was adopted by the Chinese government on May 1, 2010. All trucks entering a BASF site are inspected by our gate checks.

**Logistics service provider audits**

To ensure a higher logistics safety standard in the market, BASF takes efforts in performing TDS audits at existing and potential logistic providers. Our logistics partners are audited by our safety advisors on a regular basis. Audit tools include our Road Safety Quality Assessment System, Warehouse Safety Assessment and Chemical Distribution Institute-Tank farm schemes.

**Raw material supplier assessment**

We evaluate all new and existing suppliers on the basis of environmental protection, occupational safety and social standards which are incorporated in our procurement conditions. Risk matrices help us to identify potential high-risk suppliers, and we visit suppliers on-site if they have a higher risk potential.



**SAFETY DURING TRANSPORTATION**

As an example of our responsibility in transport, BASF-YPC Co. Ltd., Nanjing, exclusively employs double-hulled ships for its Yangtze River waterway transportation. This improves safety and reduces risks such as leakage. We are the first company on the high-traffic middle and lower reaches on the Yangtze River to mandate the use of double-hulled ships.

# INITIATIVES OF RESPONSIBLE CARE

Safe and clean production processes for Greater China

**BASF is a founding member of Responsible Care® which is the chemical industry's global voluntary initiative under which companies, through national associations, work together to improve their environmental, health and safety (EHS) performance. The initiative, launched in 1985, is now run in 53 countries whose combined chemical industries account for nearly 90% of global chemicals production. Through the sharing of information and a rigorous system of checklists, performance indicators and verification procedures, Responsible Care® enables the industry to demonstrate how its EHS performance improves over the years. BASF actively promotes the initiatives of Responsible Care® in Greater China.**

## Offsite emergency response

BASF has launched an "Offsite emergency response plan for the Yangtze River Delta Area" in 2009. This plan is based on its Transportation Accident Information and Response System applied in Germany and provides technical assistance in response to offsite accidents related to BASF products in China. Six BASF wholly-owned and joint venture companies in the Yangtze Delta now jointly adopt the Offsite Emergency Response Plan under the so-called Mutual Aid concept which aims to set up a network to share existing offsite emergency response resources. The new system gradually upgrades all these overall capabilities in such areas as advice via telephone (level 1 response), advice at the scene of an accident (level 2 response) and technical assistance at the scene (level 3 response). Trained specialists assist local emergency response agencies to control the accident and minimize the hazards by explaining product information and sharing their experience in chemical emergency response.

## Emergency contact network

BASF (China) Co. Ltd. established an emergency contact network at its production sites and offices in Greater China to provide instant support to traveling employees in need. So far, BASF has nominated emergency contacts in 16 cities (Jilin, Beijing, Shenyang, Qingdao, Zibo, Nanjing, Zhenjiang, Shanghai, Wuhan, Xiangtan, Chengdu, Guangzhou, Kunming, Nansha, Hong Kong and Taipei) who are available 24 hours a day. Their role is to contact emergency rescue and to accompany the affected employee as well as to provide immediate emergency funding. By the end of 2009, they have successfully helped employees out of major accidents on business trips on several occasions.

## Recognition due to Responsible Care

In 2009, BASF Auxiliary Chemicals Co. Ltd. was one of 16 companies in the Shanghai Pudong New Area chosen to receive the "Shanghai Model Unit for Clean Production" award. In April 2008, BASF Auxiliary Chemicals Co. Ltd. had kicked off a clean production audit to analyze the performance of pollution prevention measures, and passed a respective audit by the Shanghai Clean Production Promotion Office in December 2008. Through the audit, the company identified energy saving and emission reduction potentials. Environmental benefits included substantial savings of water, power and steam, as well as a reduction of wastewater and solid waste.

Meanwhile, BASF Chemicals Co. Ltd. was honored for the third consecutive year in 2009 for its outstanding performance in safety management by the Shanghai Chemical Industry Park.

## FIRE HYDRANT SYSTEM INSPECTION

BASF Chemicals Co. Ltd. supports a culture of health and safety for the benefit of its employees. The company takes the BASF Responsible Care® Management System as its directive and conducts systematic implementation with the strong commitment of all of the employees and contractors. One example is the inspection and maintenance of safety equipment such as fire hydrant systems.



# GERMANY AND CHINA – MOVING AHEAD TOGETHER

BASF as official partner – presenting sustainable solutions

**BASF is official partner of the binational initiative “Germany and China – Moving Ahead Together” which was launched in Nanjing in 2007 and has since traveled to several major cities across China. The joint project of the Chinese and German governments strives to strengthen the partnership between the two countries, with sustainable urbanization as the overarching topic. Its centerpiece is the “German-Chinese Promenade” which promotes technological, scientific, academic and cultural aspects of Germany. BASF views the “Germany and China” initiative as an important opportunity to show how innovative products from the chemical industry can benefit everyday life.**

## The BASF pavilion

BASF has designed a pavilion for the “German-Chinese Promenade” which presents tangible examples of sustainable solutions in a unique open building structure. The pavilion has traveled from Nanjing on to all other stations of “German-Chinese Promenade”: Chongqing and Guangzhou in 2008, Shenyang and Wuhan in 2009. It attracted more than 480,000 visitors in the five cities. Inside, visitors can see how energy efficiency and environmental awareness can go hand in hand with a modern urban lifestyle. In the “Low-Energy Apartment”, they learn about energy-efficient exterior insulation or about BASF’s low-energy building concept. In the area for the automotive industry, BASF presents exhibits such as emission-control catalysts, water-based coatings and low weight, heat-resistant plastics that cut fuel consumption and emissions. The pavilion also hosts BASF Kids’ Lab® where children aged between 6 and 12 years can discover the exciting world of chemistry through fun experiments. BASF has also hosted several conferences on

sustainability along the tour of “Germany and China – Moving Ahead Together”. The last stop of “Germany and China” is in Shanghai at the World Expo 2010.

## Special BASF initiatives in Wuhan

In Wuhan, BASF ran a bus meeting China’s stringent stage IV national emissions standards. Equipped with eco-friendly catalyst emission-control solutions from BASF, the bus was used to transport visitors to the “German-Chinese Promenade”. Thus, it set an example for green vehicles in the city.

BASF executives also took part in a forum for sustainable development. Dr. Martin Bruder Müller, Member of the Board of Executive Directors, responsible for Asia Pacific, joined a panel discussion on “Sustainable Development and the Role of Governments”, along with Li Hongzhong, Governor of Hubei Province, and former German Chancellor Gerhard Schröder. BASF also held its Campus Talk in Wuhan, attracting some 400 local students to discuss sustainable development solutions. BASF’s Campus Talk aims to recruit talented and passionate graduates across China.

## GREEN VEHICLE IN WUHAN

In Wuhan, BASF ran a bus meeting China’s stringent stage IV national emissions standards. Equipped with eco-friendly catalyst emission-control solutions from BASF, the bus was used to transport visitors to the “German-Chinese Promenade”. The bus demonstrated the vital role catalysts play in meeting future emission limits in the city.



# RECOGNITION IN GREATER CHINA

## Prizes and awards



### 2009 BEST CORPORATE CITIZENSHIP AWARD

For the fifth year in a row, BASF received the “Best Corporate Citizenship Award” in 2009 from the 21st Century Business Herald, China’s leading business newspaper. BASF was recognized for fulfilling its corporate social responsibility performance in corporate governance, education and environmental protection. The company was also honored for its strong ties with employees, customers, communities and partners, as well as for its great contribution to integrating sustainability into its core business operations by further spreading the concept of corporate citizenship along the supply chain through the “1+3” project (see page 17).



### AWARD FOR EXCELLENT CORPORATE SOCIAL RESPONSIBILITY REPORTING

On December 2, 2009, BASF received the “Excellent Corporate Social Responsibility Report of Multinational Corporations in China” award. The ranking, conducted by China WTO Tribune, is the first of its kind in China. It recognized the “BASF in Greater China In Brief 2008” report for fully demonstrating the company’s commitment to sustainable development by consistently applying global values and standards in its Greater China business, while at the same time focusing on local practices and operations.



中国绿色公司  
China Green Companies  
2009 2010 2011

### CHINA GREEN COMPANIES TOP 100

On the 41<sup>st</sup> anniversary of World Earth Day on April 23, 2010, BASF was honored as one of China’s “Green Companies Top 100”. BASF has been recognized for three years running by this award, formerly named “China Green Benchmark Company”, for its continuous efforts in eco-friendly operation, social responsible practice and driving force for innovation, corporate culture and business advantage.



### NO. 11 AMONG FORTUNE GLOBAL 500 FOR OUTSTANDING CONTRIBUTIONS TO CHINA

According to the annual ranking of Fortune Global 500 companies for their contributions to China issued by a leading national newspaper, “Southern Weekend”, BASF in January 2010 was ranked No. 11 among the world’s top 500 enterprises for its outstanding contributions to China. This marks the third time in a row for BASF to be on the ranking. And again, BASF was the highest-ranked chemical company.

## BEST CORPORATE CITIZEN FOR SUSTAINABLE BALANCE

“BASF as a best corporate citizen is not only implementing sustainable development strategy in its business operations, but is also keeping sustainable balance between its shareholders, customers, employees, partners, society and environment as well as resources.”

Wu Bofan

Editor in Chief, 21st Century Business Herald

Director, 21 Century Corporate Citizenship Research Center

# INTERNATIONAL RECOGNITION

## Prizes and awards



### **DOW JONES SUSTAINABILITY INDEX** **BASF shares included in the most important sustainability index**

For the ninth year in succession, BASF shares were included in the Dow Jones Sustainability Index (DJSI World) — the most important sustainability index worldwide.



### **FORTUNE MAGAZINE** **The World's Most Admired Chemical Company**

In the 2010 list of the "World's Most Admired Companies" created by the U.S. business magazine Fortune, BASF has once again been ranked the top company in the chemical industry. Industry experts voted BASF into the top position in the categories of product and service quality, global competitiveness and management quality.

#### **CARBON DISCLOSURE PROJECT**

### **CARBON DISCLOSURE LEADERSHIP INDEX** **Top Ranking**

In 2009, BASF was again included in the prestigious Carbon Disclosure Leadership Index (CDLI) established by the Carbon Disclosure Project. It was also named as the number one company in the materials sector. The Carbon Disclosure Project is an independent not-for-profit organization holding the largest database of primary corporate climate change information in the world. Its index includes corporations who excel in addressing the opportunities and risks presented by climate change and in the transparency of their reporting.

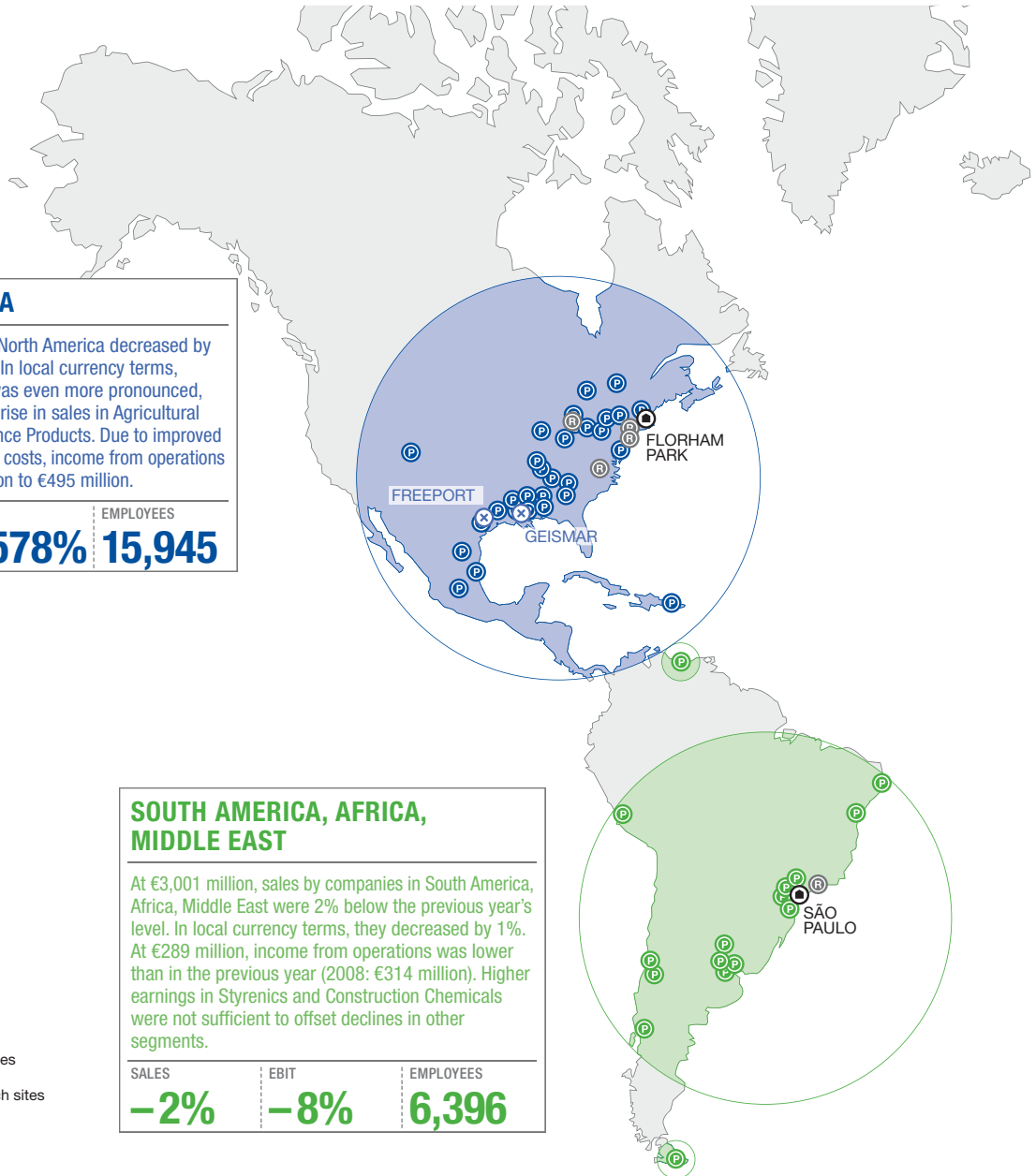
## OUR RESPONSIBILITY FOR SUSTAINABLE DEVELOPMENT

With the rise of globalization, economic conditions have changed fundamentally. As a globally committed company, our stakeholders expect our decisions and conduct to serve as models for sustainable development. As a founding member of the United Nations Global Compact, we are voluntarily committed to the implementation and advancement of internationally recognized principles on human rights, labor standards, environmental protection and fighting corruption.

# BASF IN THE REGIONS

Sales 2009: €50,693 million; EBIT 2009: €3,677 million

basf.com



### NORTH AMERICA

Sales by companies in North America decreased by 22% to €9,320 million. In local currency terms, the decrease in sales was even more pronounced, at 25%. We recorded a rise in sales in Agricultural Solutions and Performance Products. Due to improved margins and lower fixed costs, income from operations increased by €422 million to €495 million.

SALES	EBIT	EMPLOYEES
<b>-22%</b>	<b>+578%</b>	<b>15,945</b>

### SOUTH AMERICA, AFRICA, MIDDLE EAST

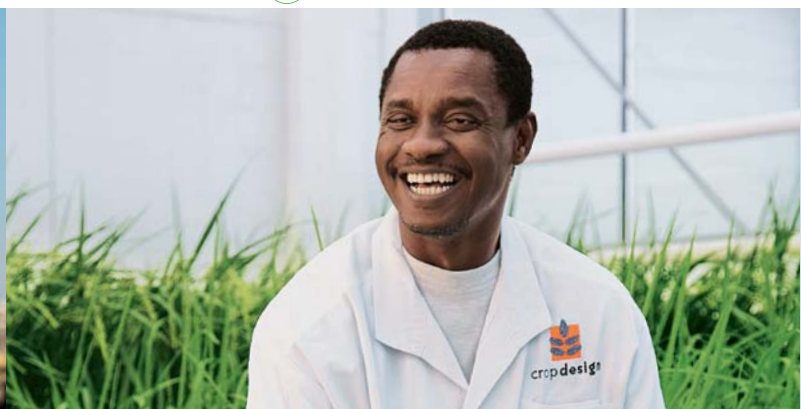
At €3,001 million, sales by companies in South America, Africa, Middle East were 2% below the previous year's level. In local currency terms, they decreased by 1%. At €289 million, income from operations was lower than in the previous year (2008: €314 million). Higher earnings in Styrenics and Construction Chemicals were not sufficient to offset declines in other segments.

SALES	EBIT	EMPLOYEES
<b>-2%</b>	<b>-8%</b>	<b>6,396</b>

- Regional centers
- Verbund sites
- Selected production sites
- Most important research sites

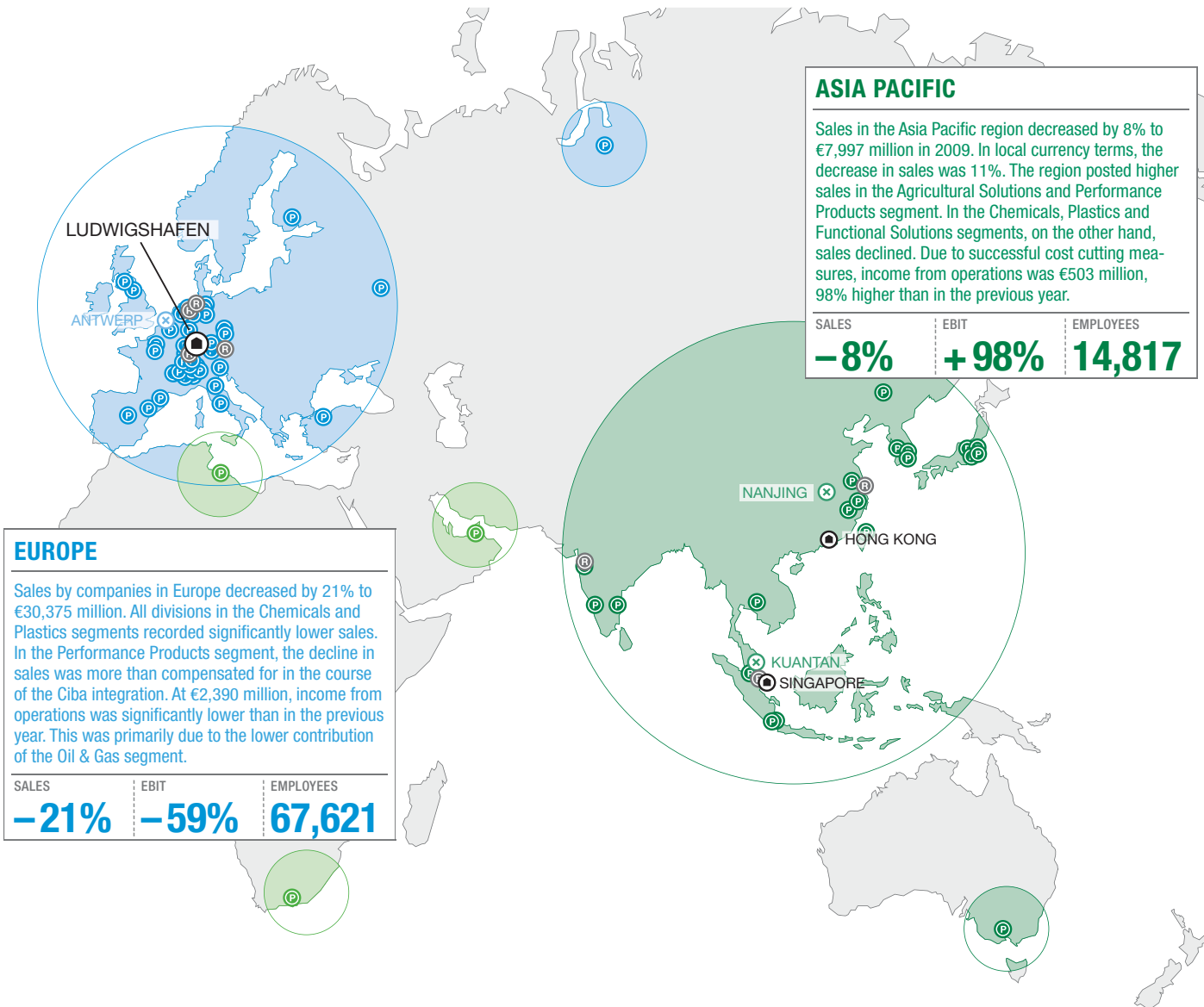


**Andrea Baker** -- senior production technician, Freeport, Texas.



**Aboubacri Ba** -- greenhouse technician, Ghent, Belgium.

BASF is the world's leading chemical company – The Chemical Company. With about 105,000 employees, six Verbund sites and approximately 380 additional production sites worldwide, we support customers and partners in almost all countries.



Afonso Maria da Silva (left) and Fabricio Rodrigo de Souza -- production workers, Guaratinguetá, Brazil.



Zhou Huan -- chemical engineer, Nanjing, China.

# TEN-YEAR SUMMARY

## BASF Group

### Ten-Year Summary (million €)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Sales and Earnings<sup>1</sup></b>										
Sales	35,946	32,500	32,216	33,361	37,537	42,745	52,610	57,951	62,304	50,693
Income from operations before depreciation and amortization (EBITDA)	5,986	4,142	5,105	5,110	7,685	8,233	9,723	10,225	9,562	7,388
Income from operations (EBIT)	3,070	1,217	2,641	2,658	5,193	5,830	6,750	7,316	6,463	3,677
Income from ordinary activities	2,827	609	2,641	2,168	4,347	5,926	6,527	6,935	5,976	3,079
Extraordinary income	–	6,121	–	–	–	–	–	–	–	–
Income before taxes and minority interests	2,827	6,730	2,641	2,168	4,347	5,926	6,527	6,935	5,976	3,079
Income before minority interests	1,282	5,826	1,599	976	2,133	3,168	3,466	4,325	3,305	1,655
Net income	1,240	5,858	1,504	910	2,004	3,007	3,215	4,065	2,912	1,410
<b>Capital expenditures and depreciation<sup>1</sup></b>										
Additions to property, plant and equipment and intangible assets	6,931	3,313	3,055	3,415	2,163	2,523	10,039	4,425	3,634	5,972
Thereof property, plant and equipment	3,631	3,037	2,677	2,293	2,022	2,188	4,068	2,564	2,809	4,126
Depreciation and amortization of property, plant and equipment and intangible assets	2,916	2,925	2,464	2,452	2,492	2,403	2,973	2,909	3,099	3,711
Thereof property, plant and equipment	2,245	2,307	2,012	1,951	2,053	2,035	2,482	2,294	2,481	2,614
<b>Number of employees at year-end</b>	<b>103,273</b>	<b>92,545</b>	<b>89,389</b>	<b>87,159</b>	<b>81,955</b>	<b>80,945</b>	<b>95,247</b>	<b>95,175</b>	<b>96,924</b>	<b>104,779</b>
<b>Personnel costs<sup>1</sup></b>	<b>6,596</b>	<b>6,028</b>	<b>5,975</b>	<b>5,891</b>	<b>5,615</b>	<b>5,574</b>	<b>6,210</b>	<b>6,648</b>	<b>6,364</b>	<b>7,107</b>
<b>Key data<sup>1</sup></b>										
Earnings per share (€) <sup>2,3</sup>	1.01	4.86 <sup>4</sup>	1.30	0.81	1.83	2.87	3.19	4.16	3.13	1.54
Cash provided by operating activities	2,992	2,319	2,313	4,878	4,634	5,250 <sup>5</sup>	5,940	5,807	5,023	6,270
EBITDA in percent of sales	16.7	12.7	15.8	15.3	20.5	19.3	18.5	17.6	15.3	14.6
Return on assets (%)	9.9	3.1	8.4	7.4	13.2	17.7	17.5	16.4	13.5	7.5
Return on equity after taxes (%)	9.0	36.6 <sup>4</sup>	9.3	6.0	12.9	18.6	19.2	22.4	17.0	8.9
<b>Share<sup>2</sup></b>										
Year-end price (€)	24.09	20.88	18.04	22.29	26.50	32.36	36.93	50.71	27.73	43.46
Dividend per share (€)	1.00 <sup>6</sup>	0.65	0.70	0.70	0.85	1.00	1.50	1.95	1.95	1.70
Number of shares as of December 31 (million) <sup>7</sup>	1,214.8	1,166.8	1,140.6	1,113.3	1,080.9	1,028.8	999.4	956.4	918.5	918.5

<sup>1</sup> Starting in 2005, the accounting and reporting of the BASF Group is performed in accordance with International Financial Reporting Standards (IFRS). The previous years' figures have been restated in accordance with IFRS. The figures for years up to and including 2003 were prepared according to German GAAP.

<sup>2</sup> In the second quarter of 2008, we conducted a two-for-one stock split. The previous years' figures have been adjusted accordingly.

<sup>3</sup> Adjusted for special charges and amortization of intangible assets, earnings per share were €3.01 in 2009 and €3.85 in 2008.

<sup>4</sup> Including extraordinary income

<sup>5</sup> Before external financing of pension obligations

<sup>6</sup> Including €0.35 special dividend of stockholders' equity charged with 45% corporate income tax

<sup>7</sup> After deduction of repurchased shares earmarked for cancellation



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[www.greater-china.basf.com](http://www.greater-china.basf.com)

More information about BASF in Greater China



## FURTHER INFORMATION

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You can find this and other publications from BASF on the Internet at [www.basf.com](http://www.basf.com)



BASF supports the worldwide Responsible Care® initiative of the chemical industry.

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